

Message Text

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FM SECSTATE WASHDC

TO USDEL SECRETARY IMMEDIATE

C O N F I D E N T I A L STATE 162537 TOSEC 060054

FOLLOWING REPEAT MADRID 4799 ACTION SECSTATE DATED 10 JUL 75

QUOTE

C O N F I D E N T I A L MADRID 4799

DEPT PLS PASS TO SECRETARY

DEPT FOR AMB MCCLOSKEY

E.O. 11652: GDS

TAGS: ETRD, SP, CU

SUBJ: TREASURY FOREIGN ASSETS CONTROLS: CHRYSLER

ESPANA SALE TO CUBA

REF: MADRID 4772

1. FON MIN CHIEF OF NORTH AMERICAN AND EUROPEAN
ECONOMIC AFFAIRS (GARAYALDE) CALLED EMBASSY ECONOMIC/COMMERCIAL
COUNSELOR TO FON MINISTRY ON URGENT BASIS JULY 10 TO
CONVEY "GRAVE CONCERN" OF GOS OVER U.S. REFUSAL AUTHOR-
IZE SALE OF CHRYSLER HEARSE TO HERMANOS BARREIROS.
AFTER SUMMARIZING SEQUENCE OF EVENTS IN TRANSACTION,
BASED ON MEMORANDUM SENT TO FON MINISTRY BY BARREIROS,
GARAYALDE SAID GOS GREATLY CONCERNED BY U.S. DECISION
WHICH COULD CAUSE DIFFICULTIES IN SPANISH-AMERICAN
RELATIONS DURING TIME OF IMPORTANT BILATERAL NEGOTIATIONS.
HE SAID GOS FOUND IT DIFFICULT TO UNDERSTAND NEGATIVE
CONFIDENTIAL

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U.S. ATTITUDE AFTER CONTRACT ALREADY SIGNED BETWEEN
SPANISH FIRM AND CUBA, AND AFTER EXPORT LICENSE AND
CREDIT AUTHORIZED BY GOS. GARAYALDE SAID THAT AS DEMON-
STRATION OF GOOD WILL AND TO AVOID DAMAGING BILATERAL

RELATIONS, GOS REQUESTS U.S. GRANT EXCEPTION ALLOWING COMPLETION OF THIS INNOCUOUS TRANSACTION AS HAD BEEN DONE FOR ARGENTINA AND OTHER COUNTRIES FOR VM* S TO CUBA OF GREATER MAGNITUDE.

2. BARREIROS MEMORANDUM WHICH GARAYALDE SUMMARIZED STATES SHRYSLER ESPANA AWARE FROM OUTSET HEARSE'S WERE DESTINED FOR CUBA, AND THAT IN JAN 1975 CHRYSLER INFORMED BARREIROS VERBALLY IT COULD AUTHORIZE EXPORT TO CUBA PROVIDED THAT HEARSE CHASSIS ADDED BY COMPANY OTHER THAN CHRYSLER AND THAT BARREIROS WOULD BE ACTUAL EXPORTER. ON BASIS THIS UNDERSTANDING, BARREIROS SIGNED SALES CONTRACT IN LATE MARCH WITH CUBAN FIRM, TRANSIMPORT, S.A., FOR TOTAL VALUE OF 47,362,896 PESETAS (ABOUT \$845,000). SUBSEQUENTLY GOS ISSUED EXPORT LICENSE AND APPROVED TRANSACTION FOR INCLUSION IN CREDIT AGREEMENT BETWEEN BANCO EXTERIOR DE ESPANA AND BANCO NACIONAL DE CUBA. DURING JUNE, BARREIROS RECEIVED GUARANTEE OF 10 PERCENT INITIAL PAYMENT FROM BANCO EXTERIOR DE ESPANA AND RISK INSURANCE FROM GOS. ONLY ON JULY 2 DID CHRYSLER ESPANA INFORM BARREIROS IT COULD NOT COMPLETE SALE.

3. EMBASSY ECON/COMM COUNSELOR EXPLAINED THAT U.S. LAW AND REGULATIONS PROHIBIT BUSINESS TRANSACTIONS BETWEEN CUBA AND FIRMS IN WHICH THERE U.S. EQUITY OWNERSHIP AND THAT LAW APPLIES EQUALLY TO SUCH FIRMS IN WHATEVER COUNTRY THEY MAY BE LOCATED. COUNSELOR ADDED THAT WHILE HE UNDERSTOOD EXCEPTIONS HAD BEEN MADE IN PAST, THEY WERE RARE AND INVOLVED EXTRAORDINARY CIRCUMSTANCES. GARAYALDE RESPONDED THAT GOS IS REQUESTING EXCEPTION AND FEELS JUSTIFIED IN DOING SO GIVEN CIRCUMSTANCES OF TRANSACTION.

4. COMMENT: THIS PROMPT FOLLOW-UP BY FON MINISTRY TO COMMERCE MINISTER'S JULY 9 DEMARCHE WITH AMBASSADOR (REFTEL) UNDERLINES DETERMINATION OF GOS TO PRESS FOR CONFIDENTIAL

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EXCEPTION.
STABLER

UNQUOTE
INGERSOLL

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<< END OF DOCUMENT >>

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